



## MEMORANDUM

**DATE:** February 19, 2008

**TO:** Iowa State Officials

**FROM:** Steve McCullough, President and CEO

**SUBJECT:** "Helping Iowa Students Succeed" Report and Update on Current Iowa-based Partnership Efforts to Ensure Student Loan Availability for Iowans Despite Negative National Financial Markets

---

I am pleased to share the enclosed copy of "Helping Iowa Students Succeed," Iowa Student Loan's 2007 year in review. The report was developed following last fall's state auditor recommendations and outlines our successes in meeting our nonprofit mission of serving Iowans by providing resources for students to access and succeed in postsecondary education. This report provides information covering our fiscal year which ended June 30, 2007.

"Helping Iowa Students Succeed" details success, in cooperation with partners across the state, in providing funds needed by tens of thousands of Iowa students and their families to gain access to college. Additionally, last fiscal year ISL reinvested more than \$33 million in Iowans, helping them plan, prepare, and succeed in postsecondary education. These efforts created a significant positive economic impact on the state.

The circumstances for the current fiscal year look much different, however, for most organizations involved in student lending including ISL. I want to take a moment to address those concerns and what we are doing about them.

You are probably already familiar with news reports of the current volatility in the national bond markets triggered by problems with subprime mortgages. The result is a significantly reduced investment in the bonds used by organizations across the nation such as Iowa Student Loan to fund new student loans.

While we are hopeful that market conditions will improve, we are moving ahead with plans to make sure Iowans' needs can be met even if that recovery does not happen in a timely way. Working with our valued partners, the Iowa Bankers Association and the Iowa Credit Union League, we have asked our lender partners to join with us in an innovative, collaborative plan to mitigate the impact of this potential nationwide shortage here in Iowa.

This partnership, Iowans helping Iowans, is based on the following primary goals:

- First, our top priority is to assure that federally-guaranteed loans remain available to Iowa students and parents.
- Our second goal is to maximize benefits to student borrowers on those loans within the limitations of the financial market challenges faced by student loan providers across the country.
- As it progresses, the Iowa plan will also garner commitments for funding availability for a limited amount of supplemental private loans for those most in need of funds beyond those available from state, federal, and institutional sources for those who need them to stay in school.

Commitments from Iowa lenders continue to come in daily now that the word is getting out. As of today, nearly \$90 million has been pledged toward funding new federally-guaranteed (FFELP) loans by scores of Iowa lenders. We believe commitments will continue to grow and ultimately triple in the days to come as more institutions sign on. These federally-guaranteed FFELP loans, which students rely on most for financing college costs, generally offer the most favorable terms for students. These loans are therefore our top priority to address immediately.

We continue to be hopeful that the markets will turn around before the next school year. In the event they do not, having this plan in place will help Iowans meet their needs in paying for college education expenses. Any and all assistance in this ongoing effort is welcome.

We will continue to keep you informed of developments in these efforts in the days ahead. If you have questions or comments, please do not hesitate to call me at 515-273-7407 or our Vice-President for Public Affairs and Community Relations, Greg Nichols, at 515-273-7251.



## STATEMENT ON LOAN AVAILABILITY

February 15, 2008

### IN RESPONSE TO NATIONAL CREDIT MARKET UNCERTAINTY

#### **Iowa Community Banks and Credit Unions Partner with Iowa Student Loan to Provide Iowans College Access**

**Iowa Student Loan** is joining with the state's banks and credit unions to help ensure that Iowa students have money available to help pay for college this fall. Many Iowa college students and families rely on student loans in part or whole to pay for college.

Effective for the 2008-2009 academic school year, Iowa banks and credit unions are agreeing under an innovative partnership to fund a significant amount of federally guaranteed student loans from their available resources and hold them in their respective portfolios. Iowa Student Loan will continue to provide administrative expertise and servicing, which is essential to maintaining federal loan guarantees as well as compliance with the complex rules associated with federal student loans.

"Based on the cutbacks already announced by major national student loan providers, we know that there may be a shortage of student loans this fall if financial markets do not turn around," said **Steve McCullough**, president and CEO of Iowa Student Loan. "We have asked our lender partners to join with us as we attempt to mitigate the impact of this potential shortage in Iowa."

The recent credit volatility in the national financial markets, triggered by problems with subprime mortgages, has led to a potential shortage in funding for other consumer credit instruments including student loans. Secondary market organizations across the country such as Iowa Student Loan provide financing capacity to banks and credit unions for student loans. These secondary markets have traditionally relied on access to the bond markets for funding, which they in turn use to buy student loans and service them.

"Iowa Student Loan's mission is to provide access to college by making student loans available. As a public member of ISL's board and a local school board president, I see first-hand the importance of student loans," said **Laurie Hempfen**, an ISL board member from New London, Iowa. "Many of the students in my community would not be able to go to college without them, so I am very pleased with the positive response of Iowa lenders."

The corporation will also continue to seek other available sources of traditional and nontraditional funding for loans to help meet Iowans needs in 2008. The immediate priority of the effort is securing funding for new federally guaranteed student loans. ISL is also working with Iowa financial institutions to fund a limited number of new non-guaranteed, private loans. These private loans would be targeted to students who in order to stay in school require supplemental funding to

bridge the gap between the cost of attendance and what is available through state, federal and college-based programs.

"Helping Iowa students succeed has always been a priority for Iowa bankers," said **John Sorensen** of the Iowa Bankers Association. "This program is an investment for Iowa's future."

This sentiment was echoed by Iowa credit unions.

"We view this as part of the mission to serve our members," said **Patrick Jury** of the Iowa Credit Union League. "We are proud to be a part of this 'Iowans helping Iowans' effort."

While the effort to garner support lenders remains ongoing, the plan is being announced now as colleges and universities are about to begin the process of informing new and returning students about their options for student loans to pay for their education next fall. Information on the progress of this plan will be available on Iowa Student Loan's website: [www.studentloan.org](http://www.studentloan.org).

"We are heartened by the positive response we are receiving from Iowa financial institutions," McCullough added. "In the face of this national phenomenon, we are very proud that Iowa lenders are pulling together in an innovative way that will help students have access to education funding this year."

**About Iowa Student Loan:** The mission of Iowa Student Loan, as the state's designated secondary market for student loans, is to help students and parents obtain the necessary financial resources for higher education. It works with more than 275 Iowa lenders. Since its inception in 1981, the private-nonprofit corporation has helped nearly 300,000 students. For more information, visit [www.studentloan.org](http://www.studentloan.org).

For More Information, Contact:  
Jack Wilkie, 515-273-7590